

EXECUTIVE OFFICER SUMMARY REPORT
April 8, 2005

ITEM: 17

SUBJECT: **PROPOSITION 50: INTEGRATED REGIONAL WATER
MANAGEMENT PROGRAM**

Consideration and possible adoption of a resolution (*tentative Resolution 05-08*) authorizing the Conservancy's participation in the joint application San Diego County application for Proposition 50, Integrated Regional Water Management Program funds.
(Deborah Jayne)

PURPOSE: Consideration and possible adoption of tentative Resolution 05-08.

DISCUSSION:

Background

Proposition 50, the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, is a Water Bond initiative approved by California voters in November 2002. The Integrated Regional Water Management (IRWM) Grant Program is a new program under Chapter 8 of Proposition 50. Approximately \$380 million is anticipated to be available for IRWM grants statewide. The competition for these grants is anticipated to be fierce.

The intent of the IRWM Grant Program is to encourage "integrated regional strategies for management of water resources" and to provide funding, through statewide competitive grants, for projects that protect communities from drought, protect and improve water quality, and improve local water security by reducing dependence on imported water. The IRWM Grant Program is administered jointly by Department of Water Resources and State Water Resources Control Board and is intended to promote a "new model" for water management.

Locally, the San Diego County Water Authority, County of San Diego, and City of San Diego have joined together to form an Integrated Regional Water Management Group for the

purpose of submitting a joint IRWM application on behalf of the entire county (11 watersheds). After formalizing the San Diego IRWM Group and commencing work on the “IRWM Plan”, the Group invited local public agencies, nonprofits, and other qualified entities to submit individual project *pre*-proposals for eventual inclusion in San Diego’s final IRWM application to Sacramento.

To date, the San Diego IRWM Group has received 82 individual local project *pre*-proposals tallying \$205 million dollars. Because the final San Diego IRWM Group submittal can only include a total grant request of \$50 million, not all of the local proposals will be included in the Group’s final application. Each *final* local project proposal will be competitively reviewed by the San Diego IRWM Group to select the best local project proposals for inclusion in the final IRWM application.

“The Revolving Loan Fund”: The Conservancy’s Proposal

The Revolving Loan Fund concept was developed in response to a very real need in the San Diego River real estate market. Although the real estate market overall in San Diego generally moves quickly, the market in the vicinity of the San Diego River (especially in the lower reaches) is exceptionally mercurial. As a result, key acquisitions are often lost because the Conservation Community is simply not able to act swiftly enough to out-pace competing well-financed developers, all of whom are scrambling for the few remaining “jewels” of land along the River banks. In this environment, sales are often quietly consummated before the property ever reaches the market.

It has become increasingly clear that in order to effectively compete in this market, the Conservation Community must be better equipped to move quickly; a new tool is needed. One of the main obstacles, of course, has always been the lack of immediate access to the funds necessary to “secure” the property. The funds will typically become available eventually, but not within the time constraints needed to operate in a highly competitive market. The “Revolving Loan Fund” was proposed precisely to meet that need.

The Proposed Revolving Loan Fund will provide “quick cash” to cover all “up-front expenses” (e.g., appraisals, option agreements, hazmat testing, etc.) needed to secure the property or easement. By locking in the property, the Revolving Loan

creates the necessary time for the project proponent to obtain adequate financing for the full acquisition.

Money from the Revolving Fund will be loaned at a reasonable interest rate with reasonable terms and conditions, and with the agreement that the funds will be repaid (per the contract) when the property is fully acquired. Because the Loan Fund is “revolving” (i.e., always replenished), monies are available to assist future proponents.

Mechanics of the Revolving Loan Fund

Should the Conservancy’s proposal be selected for inclusion in the final IRWM Group application and should the San Diego IRWM Group’s application be selected statewide to receive a Proposition 50 grant, the monies would be awarded to the County Water Authority (the “lead” member of the IRWM Group) per a grant agreement. The County Water Authority would then issue a grant to the Conservancy (per a second grant agreement). The Conservancy in turn would make loans to selected Conservation Community proponents for acquisitions and easements within the San Diego River Watershed. If the proponent’s desired property or easement is within the jurisdiction of the Conservancy, the Conservancy would enter into a loan agreement with the proponent. If the Proponent’s desired property or easement is located outside of the Conservancy’s jurisdiction, the Revolving fund’s *Selection and Review Advisory Committee* would, on a case-by-case basis, decide which of the Conservancy’s key partners should write the loan contract with the proponent. The key partner would be paid a fee for this service. The *Selection and Review Advisory Committee* also initially reviews each loan application received, selects the loan requests to be funded, and provides fiscal oversight and advice to the Conservancy. The Advisory Committee consists of a member of the Conservancy’s Governing Board, several of the Conservancy’s key partners (e.g., San Diego River Park Foundation, San Diego River Coalition, City of San Diego, Cleveland National Forest, Helix Water District, etc.), as well as a loan and a real estate expert. The Conservancy would administer the Revolving Loan Fund and direct (or hire another entity to direct) the investment and management of the grant funds.

The underlying “big picture” purpose of this Project is to promote/increase the successful acquisition of strategically located high priority parcels or easements within the San Diego River Watershed. “Substantial priority” will be given to loan

requests for acquisitions or easements located immediately adjacent, or in very close proximity, to the River. The purpose of the acquisitions and easements is to protect the water supply and water quality in the San Diego River system and to carry out the Conservancy's mission in collaboration with its key partners. In summary, the Revolving Loan Fund will serve as a very important tool to facilitate, and to increase the number of successful acquisitions for the San Diego River Park by the Conservancy and its cooperating partners.

Status of Proposal

Final local individual project proposals were submitted to the San Diego IRWM Group on April 4, 2005. The Group will assemble a Technical Review Committee to review and rank each local proposal. The Technical Review Committee will develop a combined package of local project proposals for inclusion in the final application that (1) provides broad-based support for the San Diego "IRWM Plan" (which is currently under development by the three Group members); and (2) which are considered to have the greatest overall likelihood of successful funding. That package of local project proposals, along with the final "IRWM Plan", will be submitted by the San Diego Group to Sacramento no later than May 12, 2005.

LEGAL CONCERNS: None.

FISCAL IMPACT: Potential increase in Capital Outlay funding (requested \$2.5 million grant with \$1.5 million match)

SUPPORTING
DOCUMENTS:

1. Tentative Resolution 05-08
2. Schematic of Proposed "Revolving Loan Fund"
3. Conservancy's Proposal to the San Diego IRWM Group
(to be distributed at the Board Meeting)

RECOMMENDATION: Adopt tentative Resolution 05-08.